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VALLETTA

OUTGOING TELEGRAM
DEPARTMENT OF STATE

PPB 9 US

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FORM DS 322-(OCR)

ACK	102540	2920292 MAY 73	ROGERS

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XR P0123-10 Libya
XR Pet 6 Libya

AF/P:BRUSSELL:ADR
EXT 20362 5/29/73
AF/P:JMPOPE

AF/N - WARREN CLARK
NEA/P - MR. BRIGGS
CLEARANCES

EUR/P - MR. SAVAGE
CLEARANCES

ROUTINE TRIPOLI

ROUTINE /NATO, TUNIS, ALGIERS, VALLETTA, ROME, PARIS, LONDON, BEIRUT, MOSCOW

SPECIAL HANDLING

CAPTIONS

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BAR
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E.O. 11652 N/A
TAGS: PFOR CPAS LY

SUBJECT: SUMMARY OF WASHINGTON POST ARTICLE ON LIBYA

1. DAI‡VID OTTAWAY ARTICLE IN WASHINGTON POST MAY 29 DESCRIBES DETERIORATING US-LIBYAN RELATIONS WITH SPECIFIC REFERENCE TO PASSPR‡ORT ISSUE, LIBYAN DEMAND FOR FULL CONTROL OF LOCAL OIL OPERATIONS, AND FLIGHTS OF US AIRCRAFT IN LIBYAN-CLAIMED RESTRICTED AIR ZONE.

2. ARTICLE CLAIMS US HAS CONTACTED WESTERN EUROPEAN NATIONS AND SOVIET UNION IN EFFORT TO FORCE LIBYA TO BACK DOWN ON PASSPORT REQUIREMENTS. D‡STATE DEPARTMENT IS QUOTED AS SAYING ALL COUNTRIES EXCEPT CHAD, NIGER AND MALTA ARE STANDING PAT IN REFUSAL TO ACCEPT LIBYAN DEMAND PASSPORTS BE IN ARABIC.

~~3. ACCORDING TO OTTAWAY,~~ SAT
3. ACCORDING TO OTTAWAY, STATE DEPARTMENT HAS CONSIDERED BREAKING DIPLOMATIC TIES BUT HAS CONCLUDED THAT NO USEFUL PURPOSE WOULD BE SERVED PARTICULARLY WHEN "MAJOR CONFRONTATION BETWEEN LIBYA AND AMERICAN OIL COMPANIES IS LOOMING."

4. OTTAWAY SAID U.S. POSITION IS "TO SIT AND WAIT." HE ADDED: "US GOVERNMENT IS APPARENTLY BANKING ON WIDE

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INTERNATIONAL DIPLOMATIC SUPPORT OVER PASSPORT ISSUE TO AVOID BEING PA‡LACED IN POSITION WHERE IT MIGHT BE FORCED TO BREAK DIPLOMATIC TIES -- A MOVE SOME STATE DEPARTMN‡ENT OFFICIALS SPECULATE LIBYAN LEADER QADDAFI IS DELIBERATELY PUSHING THE US TO TAKE.

5. "STATE DEPARTMN‡ENT OFFICIALS SAY THAT DELICATE STATE OF AFFAIRS BETWEEN US AND LIBYA HAS STABILIZED SOMEWHAT IN PAST FEW DAYS. BUT THEY ADD THAT PASSPORT ISSUE IS MAKING IT INCREASINGLY DIFFICULT FOR US GOVERNMENT TO CARRY ON EVEN MODEST LEVEL OF DIPLOMATIC CONTACT WITH LIBYANS."
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ACTION AF-18

INFO OCT-01 EUR-20 NEA-10 OEP-01 AID-00 CIAE-00 COM-08
E-11 FRB-02 INR-06 NSAE-00 RSC-01 TRSE-00 XMB-07
OPIC-12 CIEP-01 LAB-06 SIL-01 SAL-02 OMB-01 INT-08
L-03 P-03 PRS-01 USIA-12 [illegible] /156 W
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FM AMEMBASSY ROME
TO SECSTATE WASHDC 4124
INFO AMEMBASSY TRIPOLI
AMEMBASSY BENGHAZI
AMEMBASSY LONDON

LIMITED OFFICIAL USE ROME 3243

SUBJECT : ENI PARTICIPATION AGREEMENT WITH LIBYA PENDING

REF: ROME 2545

1. DESPITE CONTINUING PRESS REPORTS OF ENI AGREEMENT WITH LIBYA FOR 51 PERCENT LAPG PARTICIPATION IN ENI'S CONCESSION 100-A, ENI OFFICIALS PRIVATELY INSIST NO AGREEMENT YET REACHED; ALTHOUGH ONE MAY EMERGE BEFORE END OF JUNE, TERMS BEING CLOSELY HELD. ITALIAN FOREIGN OFFICE SOURCES CONFIRM THIS STATUS.

2. ENI OFFICIALS REFUSE TO DISCUSS POSSIBLE IMPLICATIONS OF IPC NATIONALIZATION IN IRAQ ON PENDING NEGOTIATIONS WITH LIBYA.

3. [illegible]

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DEPARTMENT OF STATE
Washington, D.C. 20520

MRS MULLETT-E
Attention
Keep this study together.

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June 28, 1972

MEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSE

COPIES TO:
AF
E
RF

Subject: Libya Orders Oil Production Cut

There is attached for your information a memorandum on the Libyan oil production cut prepared for the Acting Secretary in the Department's Bureau of African Affairs.

Archibald Ross
for Robert H. Miller
Acting Executive Secretary

Attachment:

Memorandum to the Acting Secretary

PET 12 LIBYA

cf 3/4/82

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Drafted in S/S-S:CFDunbar:lb
x 28338 6/28/72

CONCUR: AF: MR. CLARK
RWM

MICROFILMED BY S/S-I

0314082

Libya Orders Oil Production Cut

The Libyan government has ordered the Occidental Petroleum Company to cut its crude production to less than one-half of the amount (700,000 barrels daily) agreed upon with the company on September 1, 1970. The Libyans have cited conservation reasons for this reduction but it appears clearly contrary to the earlier written agreement which took conservation into account. [redacted] the cut was ordered without prior notice or consultation.

The implications of this reduction will be severe for Occidental. [redacted] For these reasons it is conceivable Occidental may approach the Department to discuss the reduction. In this instance, as in most others, US ability to influence the Libyan government is very limited. Moreover, the LARG decision hinges on a technical question -- good oil field practices -- in which the US would not wish to become engaged.

This latest action again illustrates two problems others as well as we as a government have in dealing with the LARG. The LARG has been calling for greater investment by the oil companies. This most recent action will hardly encourage it. The second problem is that of communication. The oil companies as well as we are dealing with a regime that generally avoids signaling its moves and then acts swiftly. The BP nationalization was the most recent example before this one.

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AF/N:WCLARK:EW
6/30/72 EXT 21774
AF/N:JJBLAKE

E/FSE:GBROWN (SUBS)

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ROUTINE TRIPOLI

ROUTINE BENGHAZI, LONDON

LIMDIS

SUBJ: REDUCTIONS IN LIBYAN OIL PRODUCTIONS

REF: TRIPOLI 1022

1. DEPARTMENT INFORMED OCCIDENTAL HAS REQUESTED ASSISTANCE FROM OTHER COMPANIES UNDER LIBYAN SHARING AGREEMENT TO COMPENSATE FOR REDUCTIONS RECENTLY IMPOSED BY LARG. AT LEAST ONE COMPANY REPORTEDLY BELIEVES AGREEMENT DOES APPLY IN PRESENT CIRCUMSTANCES TO OCCIDENTAL.

INDEPENDENT SOURCE RECENTLY TOLD BY OCCIDENTAL ITS PRE-TAX AND ROYALTY PRODUCTION COSTS IN LIBYA NOW TOTAL 83 CENTS PER BARREL.

2. WE BELIEVE WILLINGNESS OF COMPANIES TO NOW CONSIDER APPLICATION OF AGREEMENT TO OCCIDENTAL MAY STEM IN PART FROM CONCERN FINANCIAL IMPACT OF REDUCTION ON COMPANY COULD CREATE STRONG PRESSURE FOR IT TO AGREE TO PARTICIPATION ON TERMS WHICH WOULD SET UNWELCOME PRECEDENT FOR OTHER COMPANIES.

3. DEPARTMENT HAS RECEIVED REPORT PETMIN MABRUK TOLD COMPANY REP JUNE 28 "CALIFORNIA FORMULA" LIMITATION ON PRODUCTION APPLIED TO OCCIDENTAL WILL BE APPLIED EQUALLY TO OTHER COMPANIES IN LIBYA. NO TIMING OF IMPLEMENTATION MENTIONED NOR WHETHER ANY COMPANIES ALREADY MEET LIMITATIONS SET BY FORMULA.

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4. ARTICLE IN PLATTS OILGRAM JUNE 29 DATELINED LONDON JUNE 28 ABOUT REDUCTION IMPOSED ON OCCIDENTAL QUOTES UNIDENTIFIED SOURCES SAYING THREE MORE COMPANIES IN LIBYA ARE IN LINE FOR ORDERS FOR FURTHER PRODUCTION CUTS. 44

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H-02 CIAE-00 DODE-00 INR-06 NSAE-00 P-03 USIA-12
PRS-01 OEP-01 CIEP-01 OMB-01 INT-08 AID-20 COM-08
RSR-01 /148 W

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FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 8974
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY BENGHAZI

C O N F I D E N T I A L TRIPOLI 1065

SUBJ: REDUCTIONS IN LIBYAN OIL PRODUCTION

REF: TRIPOLI 1022 ✓ STATE 119283 ✓

1. DESPITE STORIES WE UNDERSTAND APPEARING CURRENTLY IN LONDON AND PARIS PRESS (WE HEAR FOR EXAMPLE FROM LOCAL AFP STRINGER THAT LEMONDE CARRIED STORY TO EFFECT OXY HAS BEEN NATIONALIZED), THERE HAS BEEN LITTLE SUBSTANTIVE CHANGE IN LOCAL SITUATION RE ALLOWABLES SINCE TRIPOLI REFTEL.

2. WE HAVE BEEN ABLE TO CONFIRM WITH VARIOUS OIL COMPANY REPS THAT NO COMPANY WITH EXCEPTION OF OXY HAS HAD ITS ALLOWABLE CUT.

3. LOCAL TRIPOLI AL-BALAGH CARRIED BRIEF ITEM JULY 4 TO EFFECT THAT OXY WILL APPEAL ORDER ISSUED BY LARG TO REDUCE DAILY PRODUCTION FROM 400,000 (SIC) BBLS/DAY TO 350,000. STORY OF REDUCTION ORDER IS THUS UNFORTUNATELY A MATTER OF PUBLIC RECORD.

4. [illegible]

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TRIPOLI 1065

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5. [redacted] INVOCATION OF SHARING AGREEMENT NOW UNDER ACTIVE CONSIDERATION.

6. COMMENT: WE WILL BE WATCHING SITUATION CLOSELY AS IT DEVELOPES.
GDS
PALMER

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